HOUSING MARKET OUTLOOK
St. Catharines-Niagara CMA

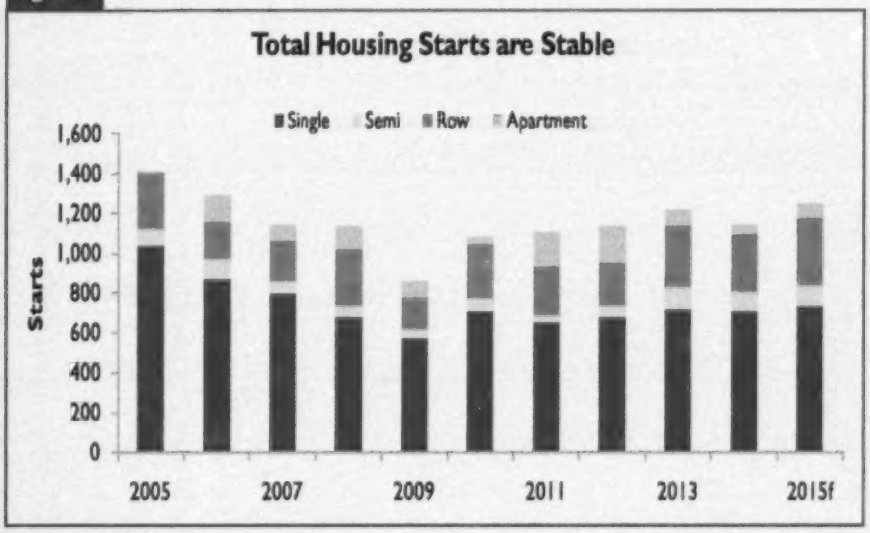
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2014

Highlights

- Housing Starts will Edge Lower
- Existing Home Sales will Rebound
- Private Apartment Vacancy Rate will Tighten

Figure 1



Source: CMHC

The forecasts included in this document are based on information available as of April 30, 2014.

Table of Contents

1 Highlights

2 New Home Market: Total Housing Starts will Edge Lower

2 Existing Home Market: Sales will Rebound

3 Rental Market: Private Apartment Vacancy Rate will Fall

3 Economic Trends: Jobs will add to Housing Demand

3 Mortgage Rate Outlook

4 Trends at a Glance

4 Forecast Risks

5 Forecast Summary

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

Canada

Housing market intelligence you can count on

CMHC SCHL
HOME TO CANADIANS

New Home Market: Total Housing Starts will Edge Lower

Stable economic conditions and a growing population in the St. Catharines-Niagara CMA will keep total housing starts in line with their average this decade. Housing starts in the St. Catharines-Niagara CMA are forecast to total 1,120 units in 2014 and 1,232 units in 2015.

The single-detached home starts share should increase in 2014 as a consequence of less choice available in the resale market. Single-detached home starts year-to-date in St. Catharines-Niagara are up in 2014 compared to a year ago. Detached home construction will moderate in the remainder of 2014 as a spike in completed and unabsorbed single-detached homes in the first quarter of 2014 will weigh on single-detached home construction. A dip in the average price of an absorbed single-detached home at the beginning of 2014 suggests that buyers are looking for the more affordable home types such as semi-detached and row homes. Single-detached homes in the more affordable price range will also be in demand.

Despite a slow start to the year home prices will move up. The new home price index will grow at a slightly higher pace in 2014 than last year as a consequence of a greater demand for multi-family homes. While the shares of absorbed single-detached homes will regain some ground throughout the rest of 2014, the demand for multi-family homes will dominate the new home market.

West Lincoln, Lincoln, and Grimsby are expected to post the highest increases in new home prices for 2014 compared to last year. All else being equal, they have the lowest supply of land for new homes in the Niagara Region. Demand from people moving into the Niagara Region from the Hamilton and Toronto GTA will grow. Firstly, homes in the Niagara Region are more affordable than in Hamilton and Toronto. Secondly, people who commute from the Niagara Region to Hamilton or Toronto have a shorter commute from West Lincoln, Lincoln, and Grimsby than from any other area of the Niagara Region.

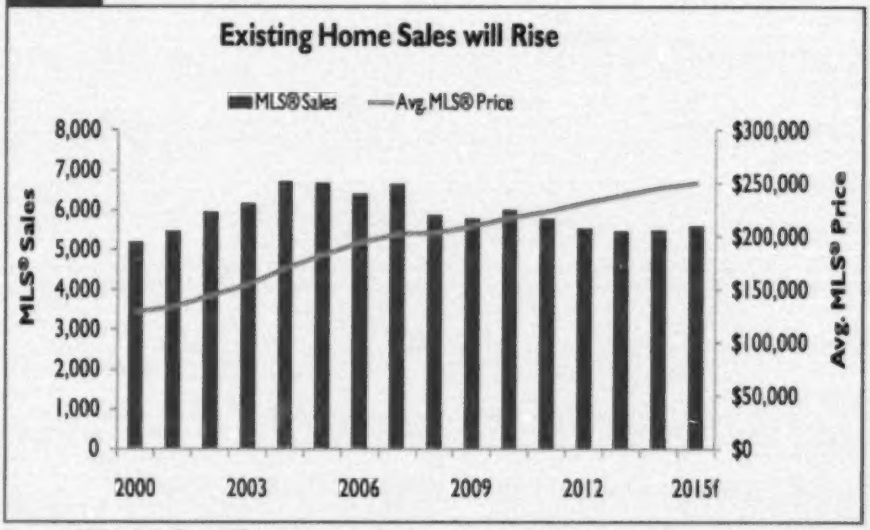
Existing Home Market: Sales will Rebound

After edging lower last year, existing home sales in the St. Catharines-Niagara CMA will inch up through 2015 as jobs and earnings improve. In the first quarter of 2014, sales edged down 1.4 per cent annually as affordability continues to deteriorate. But spring and summer sales will increase as more stable employment conditions continue to take hold. People, in the age category of 45 and above, will become more active since this group is on an upward job trend in St. Catharines-Niagara. Furthermore, many people in this age bracket are migrating from neighbouring CMAs such as Hamilton and Toronto will look to buy homes in the Niagara Region.

The average existing home price in the St. Catharines-Niagara CMA will grow at a moderate pace as the supply of new listings remains tight. The average existing home price rose 6.5 per cent annually in the first quarter of 2014 will moderate to a growth rate of 3 per cent for the year compared to 2013. In 2015, the average resale home price will grow at a slower rate, comparable to the general rate of inflation.

Despite mortgage rates staying near historical lows, affordability of existing homes will deteriorate in the next two years. The increase in the average existing home price will outpace the growth in earnings. Growth in average weekly earnings, which at the beginning of 2014 was running at 4.34 per cent annually will slow. A growing

Figure 2



Source: CREA (MLS®), MLS® is a registered trademark of the Canadian Real Estate Association (CREA). Forecast: CMHC.

labour force will put downward pressure on earnings.

As the resale market tightens, current homeowners will face higher home prices, and more will choose to list – alleviating some of the pressures in demand. As the local economy improves in 2015 households will adjust their housing consumption upward.

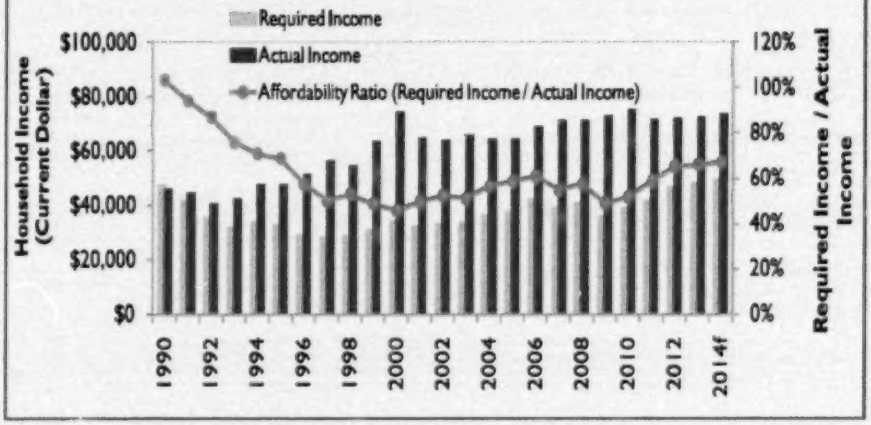
Rental Market: Private Apartment Vacancy Rate will Fall

At a private apartment vacancy rate of 4.1 per cent in October 2013, renters in St. Catharines-Niagara had considerable choice. Demand for rental coming from new arrivals to Canada and young working people will nudge vacancies down and rents up by the allowable Rent Increase Guideline of 0.8 per cent set for 2014 in Ontario. A slight fall in the 2014 private apartment vacancy rate as compared to 2013 will be accompanied by the growth in the average private two bedroom apartment rent.

On the supply side, a higher number of apartments available for rent in 2014 will put some downward pressure on rents, but it will not offset the demand increases. Newly completed apartments will increase the number of apartments available for rent. Already the completions of apartments for rent in the first quarter of 2014 exceeded the entire amount of rental apartment completions in 2013. With 64 units still under construction in the first quarter of 2014, the total number of rental apartment completions for 2014 will still grow.

Figure 3

St. Catharines-Niagara CMA Homeownership Affordability Indicator (All Households)



Source: CMHC, Statistics Canada, and CREA.

Economic Trends: Jobs will add to Housing Demand

Emerging stable employment conditions in 2014 will gain traction through the year and gain speed in 2015. More sectors posted gains in the first quarter of 2014 compared to a year ago. Tourism and business related sectors are the job gains leaders in St. Catharines-Niagara. The information, culture and recreation sector, as well as accommodation and food services, will continue to benefit from the lower Canadian dollar. Both the business and finance related fields should continue growing with the St. Catharines-Niagara economy and population. In addition, the business and finance sectors will benefit from a stable home market. Finally, employment in the healthcare sector is increasing with the aging baby boom population.

Mortgage Rate Outlook

Mortgage rates to see gradual and modest increases by the end of 2015, but will remain low by historical standards

- Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to register gradual and modest increases by the latter part of the 2015 forecast horizon. This will

Mortgage rates		
1 Year	Q1 2014	3.14
	Change from Q1 2013	0.14
	2014 (F)	3.00 - 3.50
	2015 (F)	3.20 - 4.25
5 Year	Q1 2014	5.15
	Change from Q1 2013	-0.06
	2014 (F)	5.00 - 5.50
	2015 (F)	5.25 - 6.00

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q1 2014 data

lead to increases in mortgage rates. Despite this, mortgage rates will remain low and will continue to support housing market activity over the forecast horizon.

- According to CMHC's base case scenario for 2014, the average for the one-year posted mortgage rate is forecast to be within 3.0 per cent to 3.50 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.0 per cent to 5.5 per cent. For 2015, the average for the one-year posted mortgage rate is expected to rise and be in the 3.20 per cent to 4.25 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.0 per cent.

Trends at a Glance

Key Factors and Their Effects on Housing Starts	
Key Factors and their Effects on Housing Starts	Short term mortgage rates are expected to remain at relatively low levels, which will continue to support housing demand.
Mortgage Rate	Housing demand will be supported by a continuation of mortgage rates near historical lows.
Employment	An increase in employment will support housing demand across all types.
Income	Average weekly earnings will increase in this and next year while inflation will also increase. The net effect will be a negligible decline in real earnings for 2014, and an increase for 2015.
Net Migration	An influx of migrants will support housing demand.
Natural Population Increase	The upward trend in birth rates will contribute to demand for family sized homes.

Forecasts Risks

This outlook is subject to some risks, including the following:

- The number of multiple housing homes currently under construction in some local markets remains relatively high from a historical standpoint. As these units are progressively completed, inventories of newly completed and unabsorbed units may rise in the short to medium term, if they are not entirely absorbed by demand. Should the inventory of new units increase inordinately, builders may delay or reduce the size of some construction projects. This could lead to a sharper-than-expected moderation in starts.
- Canadians are still accumulating debt, albeit at a stable pace. Nonetheless, levels of household debt remain relatively high. With historically elevated house prices in some urban centres, these factors have made the Canada's economy more vulnerable to some economic shocks. For instance, if a sharp increase in interest rates or a large deterioration in employment were to occur, some of the more heavily indebted households could be forced to liquidate some of their assets, including their home. This could put downward pressure on house prices and, more generally, on housing market activity. Although this risk can arise in the shorter term, its impact would not be immediate on most indebted households because of the prevalence of fixed mortgage terms.
- The economies of China and other emerging-market countries remain vulnerable to tightening credit conditions and political uncertainty. This could affect the global economic recovery and world financial system. In turn, this could negatively impact demand for Canadian exports, contributing to a weakening of the Canadian economy and potentially lower demand for housing.
- A stronger than expected U.S. economic growth could positively impact Canadian economic growth, contributing to a higher level of activity in Canada's housing markets.

Forecast Summary
St. Catharines-Niagara CMA
Spring 2014

	2011	2012	2013	2014f	% chg	2015f	% chg
New Home Market							
Starts:							
Single-Detached	655	678	717	715	-0.3	740	3.5
Multiples	455	459	506	430	-15.0	510	18.6
Semi-Detached	34	60	111	88	-20.7	97	10.2
Row/Townhouse	247	215	310	294	-5.2	341	16.0
Apartments	174	184	85	48	-43.5	72	50.0
Starts - Total	1,110	1,137	1,223	1,145	-6.4	1,250	9.2
Average Price ($):							
Single-Detached	387,693	435,429	415,078	420,500	1.3	427,500	1.7
Median Price ($):							
Single-Detached	349,900	387,990	389,900	398,000	2.1	405,000	1.8
New Housing Price Index (% chg.)	-0.5	2.0	3.1	3.2	-	2.2	-
Resale Market							
MLS® Sales	5,798	5,554	5,483	5,525	0.8	5,610	1.5
MLS® New Listings	11,561	10,023	9,656	9,340	-3.3	9,627	3.1
MLS® Average Price ($)	223,065	232,050	238,450	245,700	3.0	250,400	1.9
Rental Market							
October Vacancy Rate (%)	3.2	4.0	4.1	3.9	-0.2	3.5	-0.4
Two-bedroom Average Rent (October) ($)	833	862	872	880	-	900	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.52	3.17	3.08	3.00 - 3.50	-	3.20 - 4.25	-
Mortgage Rate (5 year) (%)	5.37	5.27	5.24	5.00 - 5.50	-	5.25 - 6.00	-
Annual Employment Level	197,200	202,600	194,400	195,100	0.4	197,250	1.1
Employment Growth (%)	2.4	2.7	-4.0	0.4	-	1.1	-
Unemployment rate (%)	8.2	7.8	8.5	8.4	-	8.1	-
Net Migration	-840	1,786	1,261	1,397	10.8	1,329	-4.9

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over; MLS® data includes the St.Catharines, Niagara, and Welland boards

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

CMHC--HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca or follow us on Twitter, YouTube and Flickr.

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2014 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

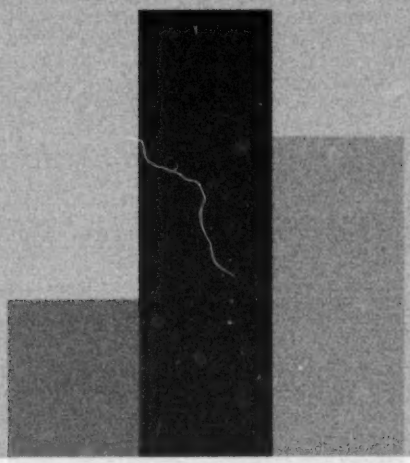
Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact the Canadian Housing Information Centre (CHIC) at chic@cmhc.ca; 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on



FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Rental Market Provincial Highlight Reports
- Rental Market Reports, Major Centres
- Rental Market Statistics
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities – starts, rents, vacancy rates and much more.

Housing Market Information Portal

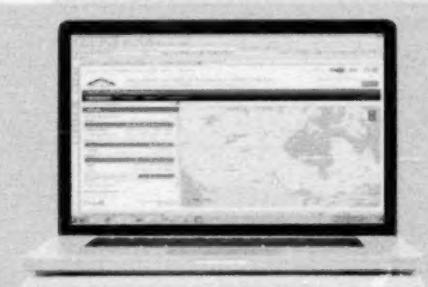
The housing data you want, the way you want it.

COMING SOON!

Save and share data, tables and charts

Access CMHC's housing information quickly and easily

An innovative new web tool



64315_2014_B01